GOVERNMENT OF INDIA
LAW , JUSTICE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:3085
ANSWERED ON:10.08.2000
ACTION AGAINST VANISHED COMPANIES
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Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Department of Company Affairs has initiated action against 142 just vanished companies;

(b) if so, whether the Department of Company Affairs along with SEBI have chalked out an action plan against the unscrupulous directors, promoters;

(c) if so, whether the Department has planned to get back the money of small investors/depositors;

(d) if so, whether the Department included the plantation, non-banking finance, and software companies in their investigation;

(e) if so, the total amount suspected duped, siphoned away by these companies; and

(f) the corrective actions taken for the future and the amendment proposed to be made by the department on this account?

Answer

THE MINISTER OF STATE FOR THE MINISTRY OF INFORMATION AND BROADCASTING AND MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI ARUN JAITLEY)

(a) : Out of 142 companies, prosecutions have been initiated against 93 companies, under the provisions of Companies Act, 1956. No prosecutions have been initiated against 37 companies which are regular in filing their statutory documents like Balance Sheet and Annual Returns. 08 companies are under liquidation. The assets of 03 companies have been taken over by the State Governments of Punjab and Karnataka (2 companies and 1 company respectively) and 01 company is under Board of Industrial Finance and Rehabilitation (BIFR) proceedings.

(b) : The Department has constituted Seven Task Forces regionwise viz., Delhi, Mumbai, Chennai, Calcutta, Ahmedabad, Bangalore and Hyderabad with Regional Directors/Registrar of Companies as convenors and the representatives of SEBI and Stock Exchanges as members. The primary responsibility of these Task Forces is to identify the vanishing companies of their region by going through the information available with these agencies. These Task Forces are monitored by a Central Coordinating Committee with Secretary, Department of Company Affairs (DCA) and Chairman, Securities & Exchange Board of India (SEBI) as its Co-Chairmen.

(c): Out of the 93 companies as mentioned at (a) above, 24 companies are identified as non traceable even after due enquiries. Instructions have been issued to the field organisations to initiate winding up proceedings u/s 433/439 of the Companies Act, 1956 against these 24 companies so that amount can be realised from the assets of these companies by the Liquidator for payment as per Court`s orders under the provisions of the Companies Act, 1956.

(d): The list of 142 companies received from SEBI contains the names of companies with various types of business.The DCA has not included names of any Plantation / Non Banking Finance and Software companies in the aforesaid list.

(e) : The total amount involved in these 142 companies is Rs.668.61 Crores.

(f): The primary responsibility to monitor the working of all listed companies which come with public issue vests in SEBI/Stock Exchanges. However, to protect the interest of the investors, a new section 205 C has been inserted in the Companies (Amendment) Act, 1999 to establish a fund called as `Investor Education and Protection Fund`.To make laws more stringent against the defaulting companies, a provision has also been made in the said bill introduced in Lok Sabha on 23.12.1999 that a director of a public company which fails to file the annual accounts and returns for continuous three financial years or repay the deposits will not be eligible to be a director of a public company for five years besides facing prosecution etc.